

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6598

BILL NUMBER: SB 349

NOTE PREPARED: Apr 8, 2013

BILL AMENDED: Apr 8, 2013

SUBJECT: Utilities; Economic Development.

FIRST AUTHOR: Sen. Head

FIRST SPONSOR: Rep. Friend

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Municipal Utility Donations: The bill adds to the chapter in the Indiana Code concerning donations by local units of government a provision authorizing a municipal legislative body, with the approval of the board of the municipality's municipally owned utility, to donate funds from the municipally owned utility's surplus earnings to a local economic development organization for use in maintaining existing infrastructure, as long as certain obligations of the municipally owned utility are met before the donation is made.

Utility System Improvement Charges: The bill provides that a public utility that provides water service or wastewater service may establish a utility system improvement charge (USIC). (Current law provides only for the establishment of a distribution system improvement charge (DSIC), and provides that a DSIC can be established only by a public utility that provides water service.) It requires a public utility to annually reconcile the difference between its USIC revenues and costs. It requires USIC charges to be separately and conspicuously indicated on each customer's bill. It repeals definitions related to DSICs. It makes conforming amendments.

Effective Date: Upon passage; July 1, 2013.

Explanation of State Expenditures: *Utility System Improvement Charges:*

(1) *Indiana Utility Regulatory Commission (IURC):* This bill could increase administrative expenditures for the IURC. Under current law, a public utility may petition for a change in its DSIC every 12

months; under this bill the petition could also include charges for wastewater plant system improvements. Any increase in expenditures to the IURC would be offset by public utility fees.

(2) *State & Local Expenditures:* State and local governmental entities may be subject to any changes in utility rates caused by the provisions in this bill.

Explanation of State Revenues: *Utility System Improvement Charges:*

(1) *Utility Rates:* To the extent that utility rates are affected by the provisions in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

(2) *Taxes:* The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the State General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: *Utility System Improvement Charges: See Explanation of State Expenditures - State & Local Expenditures.*

Explanation of Local Revenues: (Revised) *Municipal Utility Donations:* The long term fiscal impact would depend on how much revenue the utility donates to the local economic development organization for the maintenance of existing infrastructure, and if this spurs other economic development initiatives in the municipality.

State Agencies Affected: IURC; All.

Local Agencies Affected: All; Municipally owned utilities; Local economic development organizations.

Information Sources:

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